

PRIVATE ACTIVITY BOND ALLOCATION

“TAX EXEMPT” BOND CAP

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

Provides lower-interest financing for certain types of projects.

AUTHORIZATION

Internal Revenue Code of 1986, as amended, Codified at 26 U.S.C. §§ 141 to 150 Sections 108.500 to 108.532, RSMo

HOW THE PROGRAM WORKS

The federal tax code authorizes each state an allocation of tax-exempt bond cap. The amount is based upon the state's population in the preceding year.

In Missouri, the Department of Economic Development has the authority to allocate the tax-exempt cap to projects.

Because there is no tax on interest earned by the holders of tax-exempt bonds, the interest rate is typically lower than conventional financing, including taxable bonds.

ELIGIBLE AREAS

Statewide.

ELIGIBLE APPLICANTS

Include certain state agencies, cities, counties and industrial development authorities.

ELIGIBLE PROJECTS

Details about eligible bonds are in the federal tax code. It is very important that determinations of eligibility be made only after consulting the applicable federal law.

For general informational purposes, the types of projects for which tax-exempt bond cap may be allocated include:

- ✓ Multi-family and/or elderly rental housing for low income residents (“MFH”);
- ✓ Small manufacturing facilities;
- ✓ First-time farmers;
- ✓ “Utility” projects, including water, sewer, electric and gas;

- ✓ Bonds issued to finance student loans; and
- ✓ Bonds issued to provide loans for home ownership.

APPLICATION PROCEDURE

- Once the issuing entity has passed an inducement resolution, an application is submitted to the department. Applications are accepted year-round.
- A “hold letter” is typically issued pending a decision by the department.
- For MFH projects, a referral is made to the Missouri Housing Development Commission (“MHDC”) for a review and recommendation on the project.
- A meeting is scheduled by the issuer/beneficiary with the department to discuss the project.
- A decision is made on a case-by-case basis.
- An allocation letter is issued if appropriate.
- The allocation is good for 60 days from the date of the letter. A 30 day extension can be granted.
- Upon issuance of the bonds, the issuer must notify the department both by telephone (no later than the next business day) and submit a report of issuance by overnight courier or certified mail (no later than five calendar days from issuance). Annual activity reports must be filed no later than January 31st of the following year.

FUNDING LIMITS

- ✓ Missouri's cap for 2003 is \$425,443,425.
- ✓ Missouri's cap for 2004 will be determined in late December 2003, when U.S. Census population estimates for 2003 are issued.

CONTACT

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ADDITIONAL RESOURCES

Go to the department's home page at www.missouridevelopment.org for Private Activity Bond Allocation forms as well as a wealth of information regarding Missouri's many other economic development programs and policies.

Missouri Development Finance Board

- ✓ MDFB is one statewide issuer of various types of tax-exempt bonds, including some for small manufacturing facility projects. Additional information about the programs and services provided by MDFB can be found at www.mdfb.org.

Missouri Housing Development Commission

- ✓ MHDC receives bond cap for its "Mortgage Revenue Bond Program", in which the Commission partners with participating lenders to offer eligible first-time homebuyers lower interest rates.
- ✓ MHDC is also an issuer for some MFH projects, and has several other programs directed toward the rehabilitation or development of affordable housing in Missouri.
- ✓ For more information about the programs and services provided by MHDC, visit their web site at www.mhdc.com.

Missouri Higher Education Loan Authority

- ✓ MOHELA typically receives bond cap. The savings from the tax-exempt bond financing helps allow the Authority to offer benefits such as reduced interest rates in its Rate Relief and Public Service Reward programs. MOHELA's web site is www.mohela.com.

Missouri Agricultural and Small Business Development Authority

- ✓ The Authority receives bond cap to underwrite loans to first time farmers for acquisition of land, equipment or breeding livestock. Visit its web site at www.mda.state.mo.us for more information on the "Beginning Farmer Loan Program."

Environmental Improvement and Energy Resources Authority

- ✓ EIERA is a statewide issuer for some energy and environmental projects. Visit its web site at www.dnr.state.mo.us/eiera for more information.

Local Entities

- ✓ There are many local entities, such as industrial development authorities, that can issue tax-exempt bonds as well. Contact the city government of the location of your proposed project for more information.